Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1383 (as enrolled)
Sponsor: Senator Jud Gilbert, II
Senate Committee: Transportation
House Committee: Transportation

PUBLIC ACT 516 of 2004

Date Completed: 1-19-05

RATIONALE

Public Act 137 of 2003 amended the county road law to allow a county road commission to enter into an installment contract for the purchase of real or personal property, payable over a maximum period of 15 years or the useful life of the property, whichever is less. The Act limited the outstanding balance of all purchases authorized under the law to 1.25% of the value of the road commission's capital assets and infrastructure. The Michigan Transportation Fund (MTF) law, however, specifies that a county road commission may borrow up to 50% of its previous year's MTF allocation. Some people believed that the two statutes conflicted with each other, and suggested that the 1.25% limit under the county road law be eliminated.

In an unrelated matter, the law requires a board of county road commissioners to advertise for sealed bids for necessary purchases of machines, tools, appliances, and materials costing more than a specific amount, which had been $10,000, or, under emergency conditions, more than $20,000. Reportedly, these limits sometimes were problematic for road commissions trying to continue providing services during unforeseen events, such as the blackout of August 2003. It was suggested that the limits be increased.

CONTENT

The bill amended the county road law to delete the limit on the outstanding balance of purchases by a county road commission; and increase the amount of money a county road commission may spend without advertising for sealed proposals.

Previously, the outstanding balance of all purchases under the county road law could not exceed 1.25% of the value of the road commission's capital assets and infrastructure as determined by a capitalized asset inventory. The bill deleted that limit.

The bill also increased from $10,000 to $15,000 the amount at which a board of county road commissioners must advertise for sealed proposals, and increased the limit under emergency conditions from $20,000 to $50,000.

The bill took effect on January 3, 2005.

MCL 224.10

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The MTF law (Public Act 51 of 1951) provides that a county road commission may pledge up to 50% of its previous year's MTF allocation for the payment of bonds and notes. Public Act 137 of 2003, however, included a cap of 1.25% of the value of the road commission's assets and infrastructure on the outstanding balance of purchases. This created confusion as to which statute should prevail and how much a road commission could borrow. As a result of Public Act 137, some road commissions evidently were no longer in compliance with the law. By deleting the 1.25% cap, the bill eliminates this point of conflict between the two statutes.

Supporting Argument

The amounts over which a board of county road commissioners must advertise for sealed bids for the purchase of necessary equipment had not been updated in more than 20 years. Apparently, these limits could tie a road commission's hands during emergency situations or unexpected occurrences. For example, a January 2004 fire in a garage owned by the Oakland County Road Commission destroyed 17 pieces of heavy equipment, including salt trucks and road graders. The cost to replace these vehicles was estimated at $2.58 million. Although the road commission was able to operate out of an adjacent building with vehicles on loan from the Michigan Department of Transportation, the Genesee County Road Commission, and the Wayne County Department of Public Services, the bill should make it easier for road commissions in similar situations in the future to procure the necessary equipment to continue providing important services.

Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill will have no fiscal impact on the State. By removing a limit on the outstanding balance of purchases by a county road commission, the bill increases the amount of purchases that a county road commission may make using an installment method (i.e., debt). The removal of this limit may result in additional debt issuance by county road commissions.

Fiscal Analyst: Craig Thiel

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